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FROM: BERLIN

TO: Secretary of State

NO: 773, OCTOBER 18, 5 PM

ACTION DEPARTMENT 773, BOMB 683, INFORMATION LONDON 504, MOSCOW 480, PARIS 547, POLAD USAREUR 416.

PARIS FOR EMBASSY, USRO, STOESSER AND MCQUIRE.

IN MANY CONVERSATIONS DURING PAST TEN DAYS WITH MISCELLANEOUS EDITORS, PUBLISHERS, BUSINESSMEN AND POLITICIANS FROM BERLIN AND WEST GERMANY (IN CONNECTION OPENING GERMAN INDUSTRIES FAIR) MEMBERS OF MY STAFF AND I HAVE NOTED RATHER REMARKABLE CONSENSUS OF OPINION RE U.S. AND U.S. POLICY TOWARD BERLIN/GERMANY. INITIATION DISCUSSIONS INVARIABLY CAME FROM GERMAN SIDE. GENERAL FEELING SEEMS TO BE THAT U.S. GOVERNMENT IS TRYING TO DO RIGHT THING, IS SINCERE IN SAYING WE WILL STAND BY BERLIN, BUT SOMEHOW IS FAILING TO GRASP FUNDAMENTALS OF PROBLEM BECAUSE OF SINGULAR UNAWARENESS OF THE CHANGES THAT HAVE OCCURRED SINCE AUGUST 13 WITH THE ERECTION OF THE WALL. INFORMANTS RECOGNIZE THE WALL INDICATED BANKRUPTCY OF ULBRICHT REGIME BUT STRESSED IT NEVERTHELESS WAS MAJOR SUCCESS FOR THE EAST; 4-POWER STATUS HAS BEEN IRREFUTABLY DAMAGED; STATUS QUO HAS BEEN ALTERED TO ADVANTAGE OF EAST WITH CONCURRENT WEAKENING WESTERN BARGAINING POSITION. WALL WENT UP WITHOUT WESTERN RESISTANCE AND EAST GERMAN PRECAUTIONS AT THAT TIME WERE SUCCESSFUL IN FORESTALLING UPRISING IN EAST GERMANY. EAST NOW IN POSITION TO CONSOLIDATE REGIME IN EAST GERMANY WHICH WAS IMPOSSIBLE WHILE BERLIN WAS ESCAPE HATCH. LACK OF STRONG WESTERN REACTION SURPRISED GDR/BOYS WHO FOLLOWED THROUGH BY MAINTAINING PRESSURES ON WEST, MINOR HARASSMENTS IN BERLIN, EFFECTIVE PROPAGANDA OFFENSIVE EVERYWHERE ELSE. THEY HAVE PLUGGED FREE CITY CONCEPT -- WHERE SOVIETS MOVE IN TO SHARE CONTROL OF WEST BERLIN AND WHERE WEST BERLIN'S VITAL TIES

WITH

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WITH THE FEDREP IN JEOPARDY -- AND THEY HAVE EXPANDED DEMANDS IN NEW PACKAGE WHICH IS CLEARLY DESIGNED TO PRY FEDREP LOOSE FROM THE WESTERN ALLIANCE.

REACTION OF MOST INTELLIGENT BERLINERS WE HAVE TALKED TO RECENTLY IS TO ASK WHY WEST DOES NOT THROW THESE PROPOSALS OUT THE WINDOW AND POUND HOME ITS OWN COUNTER PROPOSALS FOR AN EQUITABLE SOLUTION. THEY DO NOT REACT POSITIVELY TO "VITAL INTERESTS" CONCEPT WHICH SEEMS TO THEM DANGEROUSLY OVER-SIMPLIFIED AND IMPOSSIBLE TO INTERPRET EFFECTIVELY WHEN CONFRONTED WITH "SALAMI" TACTICS. IT APPEARS TO MANY THAT KHRUSHCHEV'S EFFORT TO CONVINCE WEST OF HIS SERIOUSNESS IN DEMANDING A BERLIN SOLUTION ON HIS TERMS HAS BEEN MORE SUCCESSFUL THAN THE WEST'S EFFORTS TO CONVINCE KHRUSHCHEV OF THE DANGER OF MISCALCULATING ALLIED DETERMINATION. WHAT HAS BECOME OF OUR TOUGH ATTITUDE, THEY ASK. WE ARE DEALING WITH GANGSTERS AND TREAT THEM AS THOUGH THEY ARE GENTLEMEN. AT LEAST WE MIGHT ACT LIKE HORSE TRADERS RATHER THAN LET THEM KNOW OUR MINIMUM PRICE BEFORE THE REAL TRADING HAS STARTED. ACCORDING MANY INFORMANTS, WE GIVE IMPRESSION TO ALLIES, AS WELL AS TO KHRUSHCHEV AND ULBRICHT, OF TIMIDITY AND CAUTION WHICH ONLY ENCOURAGES LATTER TO BE TOUGHER. WE SEEM TO BE UNIMPRESSED BY FACT KHRUSHCHEV IS CARRYING ON A COLOSSAL WAR OF NERVES; THAT HE FEARS THERMONUCLEAR WAR AS MUCH AS WE AND THAT, HAVING ALREADY GAINED SO MUCH OF HIS BERLIN GOAL, HE CAN AFFORD IN FINAL SHOW-DOWN TO BACK DOWN. ON THE OTHER HAND, WHEN HE FEELS HE HAS US ON THE RUN HE IS NOT LIKELY TO RELAX PRESSURE ON BERLIN IF HE CAN USE BERLIN SITUATION AS BASIS FOR FURTHER VICTORIES IN THE BROADER GERMAN AND EUROPEAN TARGET AREAS.

WHILE FOREGOING REACTIONS OF BERLIN LEADERS FOLLOW LINES DEPARTMENT HAS BEEN HEARING FROM OTHER SOURCES, PARTICULARLY IN WEST GERMANY, WE HAVE BEEN STRUCK BY THE VIRTUAL UNANIMITY OF THESE BERLIN VIEWS. ON THE SURFACE PEOPLE HERE REMAIN CONFIDENT BUT UNDER THE SURFACE CLEARLY EXHIBIT UNEASINESS AND WORRY SUCH AS I HAVE NOT SEEN DURING THE PAST TWO YEARS.

KEA

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